

# Tax Investigation Service - FAQs

## "I've done nothing wrong – why am I at risk?"

As well as the Revenue targeting specific taxpayers because they suspect an error (often as a result of computerised "risk profiling" systems) they will target specific industries. There are also thousands of random enquiries every year. HMRC can and often do pick the wrong people to investigate, but once launched you have to answer all the questions and see it through to the end.

## "Won't they give up once they see that I don't fiddle my tax?"

It's not that easy to get HMRC to give up and go away. If an enquiry is started and nothing appears to be wrong, HMRC often try harder to find errors in order to justify their initial enquiry. It can cost much more to fight HMRC in these circumstances than when errors are admitted in the first instance.

## "Can't I just pay when I get an enquiry?"

Yes, of course, but please remember that the fee cost cannot be predicted and can be considerable. Even straightforward enquiries can drag on over many months and fees could be expected to range from hundreds to, possibly, thousands. Subscribing to the service ensures there are no worries about the time spent getting the arguments right or eventual payment of the bills and we can both concentrate on getting the job done.

## "How does it work?"

We have taken out a policy in our own name which means that when you subscribe to the service we can recover the costs from our insurers for work conducted by our firm meaning you will have nothing to pay! Like all insurances there are terms and conditions and in the event that any of our work is not covered you will be responsible for these costs.

## "What isn't included?"

Any tax liability and related interest or penalties arising from an investigation are not covered. Neither are claims for costs which originate from a matter arising before you joined the scheme or disputes without reasonable prospect of success. Full details of the service are available on request.

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## Tax Investigation Service

HMRC are  
coming...

... and it will  
cost you!



## Recent reports show that the number of people being investigated by the taxman has doubled in one year.

Figures obtained by a leading national newspaper show that HM Revenue & Customs made inquiries about the tax affairs of 237,215 people in 2012-2013, compared with about 119,000 in 2011-12. On top of this the number of self-employed people investigated has quadrupled in that time while annual prosecutions have risen sevenfold in three years.

We have noticed a more aggressive attitude from HMRC in recent years and we are very concerned about this new approach, especially as this will mean more and more innocent businesses and individuals are likely to be investigated. HMRC do not need a reason to investigate you and they can investigate anyone at random.

Protection is available

# TAX INVESTIGATION SERVICE SUMMARY

Our service is backed by an insurance policy from Professional Fee Protection (PFP). We will be free to work on your case for as long as it takes to resolve the situation up to the policy limit. You won't have to monitor or limit the professional fees; it's one less thing for you to worry about.

When you subscribe to our service we are able to make a claim against our insurance policy held with Professional Fee Protection in respect of our fees incurred (up to £5,000 per claim unless otherwise indicated) when we defend a client who is subject to any of the following events:

**A Full Enquiry** – This is an extensive examination which considers all aspects of the self assessment tax return. It will involve a comprehensive review by HMRC of all books and records underlying the entries made on the return. It will also feature the issue of a notice under S9A/S12AC TMA 1970 or paragraph 24(1) Schedule 18 FA 1998.

**An Aspect Enquiry** – This is where HMRC enquires into one or more aspects of the self assessment tax return which may involve clarification of particular entries, to detailed consideration of whether those entries have been treated correctly for tax purposes. It may involve a check on the records upon which the particular entries were based. It will also feature the issue of a notice under S9A/S12AC TMA 1970 or paragraph 24(1) Schedule 18 FA 1998. The limit of indemnity for this cover is £750.

**PAYE/VAT Compliance Visit Cover** – This is where HMRC wish to carry out a routine PAYE/VAT Compliance Visit where it is agreed that professional representation is necessary and the matter cannot be dealt with by the client alone. This will also include Business Record Checks. The limit of indemnity for this cover is £750.

**Pre-Dispute Cover** – This is where it is considered necessary to involve us following a routine inspection/compliance visit by HMRC. The limit of indemnity for this cover is £750.

**VAT Disputes** – This is a challenge by HMRC to the accuracy or completeness of returns submitted. It will feature a disagreement over both the way in which VAT has been operated and over the amount of VAT due.

**PAYE/NIC Disputes** – This is a challenge by HMRC to the accuracy or completeness of returns submitted in accordance with Pay As You Earn Regulations. It will feature a disagreement over both the way in which PAYE has been operated and over the amount of PAYE/NIC due.

**IR35 Disputes** – This is where HMRC states a client should be subject to the IR35 legislation following a PAYE compliance visit or the issue of a notice under paragraph 24(1) Schedule 18 FA 1998. It will feature a disagreement over whether this legislation applies.

**A Business Inspection Notice** – This is where HMRC exercise their power to request entry to a person's business premises and inspect the business premises, assets, goods and documents. It will feature the approval of an "authorised officer" of Revenue & Customs and the issue of an Inspection Notice for a short notice or unannounced visit or where the proposed inspection has been approved by the First-tier Tribunal. The limit of indemnity for this cover is £750.

**Partners/Directors Cover** – Where a partnership or limited company join we may also make a claim in the event of either an aspect or full enquiry into the personal returns of the partners and directors and their spouses and company secretaries (where we prepare the tax return). A separate subscription is required for each individual where gross rental income exceeds £50,000 per year or any other business activities.

The Main Exclusions in our service are as follows:

- The cost of making good any deficiencies in books, records, accounts or returns.
- Claims which originate from any matter which existed before the first period of insurance except where full disclosure has been made and the increase in risk has been accepted in writing.
- Minimum Wage, Student Loan, CIS and Tax Credit Enquiries.
- Returns which have been submitted more than 90 days late.

Full details available on request.

## Client Legal Helpline

24 hours a day, 365 days a year

As a subscriber to the service you will benefit from access to the client legal helpline.

- Advice from a dedicated team of legal consultants, barristers, solicitors and legal executives
- Unrestricted access to use the service
- You can call regarding any commercial legal problem:
  - Legal contract matters
  - Landlord and tenant or property queries
  - Employment and health and safety matters
- A significant feature of this service is its immediacy

While the service is essentially provided by telephone, consultants will enter into correspondence with members where necessary. This could entail looking at any documents, which may be essential for the consultant to consider prior to giving advice, for example, contracts of employees, leases etc. Please note that the service does not extend to corresponding with third parties, only with the individual about their legal rights.